

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT

OF

BARR-REEVE COMMUNITY SCHOOLS, INC.

DAVIESS COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
03/07/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Lottes	07-01-04 to 06-30-07
Superintendent of Schools	Brian Harmon	07-01-04 to 06-30-07
President of the School Board	Scott Lottes Galen Graber Joe Cummings	07-01-04 to 06-30-05 07-01-05 to 06-30-06 07-01-06 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE BARR-REEVE COMMUNITY SCHOOLS, INC., DAVIESS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Barr-Reeve Community Schools, Inc. (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 25, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 25, 2007



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE BARR-REEVE COMMUNITY SCHOOLS, INC., DAVIESS COUNTY, INDIANA

We have audited the financial statements of the Barr-Reeve Community Schools, Inc. (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the School Corporation on January 25, 2007. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 25, 2007

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,911,064
Restricted assets:	
Cash and investments	<u>160,221</u>
Total assets	<u>\$ 4,071,285</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 160,221
Unrestricted	<u>3,911,064</u>
Total net assets	<u>\$ 4,071,285</u>

The accompanying notes are an integral part of the financial statements.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,984,218
Restricted assets:	
Cash and investments	<u>185,233</u>
Total assets	<u>\$ 4,169,451</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 185,233
Unrestricted	<u>3,984,218</u>
Total net assets	<u>\$ 4,169,451</u>

The accompanying notes are an integral part of the financial statements.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 2,555,404	\$ -	\$ 35,477	\$ (2,519,927)
Support services	3,558,501	219,943	41,933	(3,296,625)
Community services	101,047	-	-	(101,047)
Nonprogrammed charges	124,168	-	-	(124,168)
Debt service	<u>537,208</u>	<u>-</u>	<u>-</u>	<u>(537,208)</u>
Total governmental activities	<u>\$ 6,876,328</u>	<u>\$ 219,943</u>	<u>\$ 77,410</u>	<u>(6,578,975)</u>
General receipts:				
				3,809,485
Property taxes				632,925
Other local sources				2,440,047
State aid				735,656
Grants and contributions not restricted				17,742
Sale of property, adjustments, and refunds				<u>65,121</u>
Investment earnings				
Total general receipts				<u>7,700,976</u>
Change in cash and investments				1,122,001
Net assets - beginning				<u>2,949,284</u>
Net assets - ending				<u>\$ 4,071,285</u>

The accompanying notes are an integral part of the financial statements.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 2,641,863	\$ -	\$ 31,038	\$ (2,610,825)
Support services	3,580,814	232,283	51,364	(3,297,167)
Community services	92,167	-	-	(92,167)
Nonprogrammed charges	245,585	-	-	(245,585)
Debt service	647,533	-	-	(647,533)
Total governmental activities	<u>\$ 7,207,962</u>	<u>\$ 232,283</u>	<u>\$ 82,402</u>	<u>(6,893,277)</u>
General receipts:				
Property taxes				2,905,697
Other local sources				571,707
State aid				2,672,777
Grants and contributions not restricted				674,274
Sale of property, adjustments, and refunds				17,142
Investment earnings				<u>149,846</u>
Total general receipts				<u>6,991,443</u>
Change in cash and investments				98,166
Net assets - beginning				<u>4,071,285</u>
Net assets - ending				<u>\$ 4,169,451</u>

The accompanying notes are an integral part of the financial statements.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,243,933	\$ 478,963	\$ -	\$ 696,433	\$ 733,235	\$ 38,504	\$ 376,763	\$ 4,567,831
Intermediate sources	161	-	-	-	-	-	281	442
State sources	2,466,175	-	-	-	-	-	25,907	2,492,082
Federal sources	-	-	-	-	-	-	761,032	761,032
Sale of property, adjustments and refunds	9,169	842	-	-	1,980	-	5,752	17,743
Intergovernmental transfers	41,909	-	200,000	-	-	-	91,796	333,705
Total receipts	<u>4,761,347</u>	<u>479,805</u>	<u>200,000</u>	<u>696,433</u>	<u>735,215</u>	<u>38,504</u>	<u>1,261,531</u>	<u>8,172,835</u>
Disbursements:								
Current:								
Instruction	2,121,296	-	-	-	-	-	434,108	2,555,404
Support services	1,947,857	288,879	-	-	578,507	-	548,925	3,364,168
Community services	95,109	-	-	-	-	-	5,938	101,047
Nonprogrammed charges	211,170	50,000	-	70,000	71,909	-	54,794	457,873
Debt services	-	-	-	425,459	-	-	111,749	537,208
Total disbursements	<u>4,375,432</u>	<u>338,879</u>	<u>-</u>	<u>495,459</u>	<u>650,416</u>	<u>-</u>	<u>1,155,514</u>	<u>7,015,700</u>
Excess of total receipts over total disbursements	385,915	140,926	200,000	200,974	84,799	38,504	106,017	1,157,135
Cash and investments - beginning	<u>1,838,421</u>	<u>106,881</u>	<u>-</u>	<u>(39,255)</u>	<u>94,304</u>	<u>11,235</u>	<u>273,698</u>	<u>2,285,284</u>
Cash and investments - ending	<u>\$ 2,224,336</u>	<u>\$ 247,807</u>	<u>\$ 200,000</u>	<u>\$ 161,719</u>	<u>\$ 179,103</u>	<u>\$ 49,739</u>	<u>\$ 379,715</u>	<u>\$ 3,442,419</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 1,157,135
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>(35,134)</u>
Change in cash and investments of governmental activities	<u>\$ 1,122,001</u>

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 1,800,310	\$ 386,540	\$ -	\$ 471,158	\$ 544,280	\$ 20,373	\$ 511,538	\$ 3,734,199
Intermediate sources	161	-	-	-	-	-	188	349
State sources	2,692,488	-	-	-	-	-	23,581	2,716,069
Federal sources	-	-	-	-	-	-	713,385	713,385
Sale of property, adjustments and refunds	9,389	1,880	-	-	-	-	5,874	17,143
Intergovernmental transfers	83,400	-	200,000	-	-	-	101,038	384,438
Total receipts	<u>4,585,748</u>	<u>388,420</u>	<u>200,000</u>	<u>471,158</u>	<u>544,280</u>	<u>20,373</u>	<u>1,355,604</u>	<u>7,565,583</u>
Disbursements:								
Current:								
Instruction	2,211,993	-	-	-	-	-	429,870	2,641,863
Support services	2,122,197	285,116	-	-	479,314	54,231	571,496	3,512,354
Community services	85,204	-	-	-	-	-	6,963	92,167
Nonprogrammed charges	241,914	170,000	-	30,000	83,400	-	104,709	630,023
Debt services	-	-	-	423,588	-	-	223,945	647,533
Total disbursements	<u>4,661,308</u>	<u>455,116</u>	<u>-</u>	<u>453,588</u>	<u>562,714</u>	<u>54,231</u>	<u>1,336,983</u>	<u>7,523,940</u>
Excess (deficiency) of total receipts over (under) total disbursements	(75,560)	(66,696)	200,000	17,570	(18,434)	(33,858)	18,621	41,643
Cash and investments - beginning	<u>2,224,336</u>	<u>247,807</u>	<u>200,000</u>	<u>161,719</u>	<u>179,103</u>	<u>49,739</u>	<u>379,715</u>	<u>3,442,419</u>
Cash and investments - ending	<u>\$ 2,148,776</u>	<u>\$ 181,111</u>	<u>\$ 400,000</u>	<u>\$ 179,289</u>	<u>\$ 160,669</u>	<u>\$ 15,881</u>	<u>\$ 398,336</u>	<u>\$ 3,484,062</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 41,643
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>56,523</u>
Change in cash and investments of governmental activities	<u>\$ 98,166</u>

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2005

	Internal Service Fund
Receipts:	
Local sources	\$ 891,553
Disbursements:	
Support services	<u>926,687</u>
Changes in cash and investments	(35,134)
Cash and investments - beginning	<u>664,000</u>
Cash and investments - ending	<u><u>\$ 628,866</u></u>

The accompanying notes are an integral part of the financial statements.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2006

	Internal Service Fund
Receipts:	
Local sources	\$ 888,302
Disbursements:	
Support services	<u>831,779</u>
Changes in cash and investments	56,523
Cash and investments - beginning	<u>628,866</u>
Cash and investments - ending	<u><u>\$ 685,389</u></u>

The accompanying notes are an integral part of the financial statements.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 19,950
State sources	-	1,000
Bonds and loans	2,465,000	-
Sale of property, adjustments and refunds	<u>-</u>	<u>700</u>
Total additions	<u>2,465,000</u>	<u>21,650</u>
Deductions:		
Instruction	-	13,608
Support services	<u>1,977,132</u>	<u>361</u>
Total deductions	<u>1,977,132</u>	<u>13,969</u>
Excess of total additions over total deductions	487,868	7,681
Cash and investments - beginning	<u>-</u>	<u>484</u>
Cash and investments - ending	<u>\$ 487,868</u>	<u>\$ 8,165</u>

The accompanying notes are an integral part of the financial statements.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 1,700
Deductions:		
Instruction	-	3,882
Support services	115,851	2,200
Total deductions	115,851	6,082
Deficiency of total additions under total deductions	(115,851)	(4,382)
Cash and investments - beginning	487,868	8,165
Cash and investments - ending	<u>\$ 372,017</u>	<u>\$ 3,783</u>

The accompanying notes are an integral part of the financial statements.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ <u>487,868</u>	\$ <u>8,165</u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ <u>487,868</u>	\$ <u>8,165</u>

The accompanying notes are an integral part of the financial statements.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 372,017	\$ 3,783
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 372,017	\$ 3,783

The accompanying notes are an integral part of the financial statements.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Barr-Reeve Community Schools, Inc.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with thirteen schools in a joint venture to operate Twin Rivers Vocational Area which was created to provide vocational education to students of the participating school corporations and also citizens within the jurisdiction of the participating school corporations in accordance with Indiana Code 20-1-18-7. The School Corporation is obligated by contract to remit an annual fee for membership an amount determined by the Board of Directors of the Twin Rivers Vocational Area. The Twin Rivers Vocation Area's continued existence depends on continued funding by the primary government. Complete financial statements for the Twin Rivers Vocational Area can be obtained from Twin Rivers Vocational Area, 301 E. South Street, Washington, IN 47501.

The School Corporation is a participant with four schools in a joint venture to operate the Daviess-Martin Special Education Cooperative which was created to provide special education for all eligible students of the participating school corporations. The School Corporation is obligated by contract to remit an annual fee for membership in an amount determined by the governing board of the Cooperative. The Daviess-Martin Special Education Cooperative's continued existence depends on continued funding by the primary government. Complete financial statements for the Daviess-Martin County Special Education Cooperative can be obtained from Daviess-Martin Special Education Cooperative, P.O. Box 637, Washington, IN 47501.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund is to account for transfers of unused and unencumbered funds in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution. The fund is subject to the same appropriation process as funds that receive tax money.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for the self-insurance for health coverage for employees of the school corporation.

The pension trust funds account for the bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students and the school corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 8 to 18 days per year. Unused sick leave may be accumulated to a maximum of 100 days for certified personnel and ninety days for non-certified personnel. Accumulated sick leave is paid to employees upon termination.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 5 days per year. Unused personal leave may be accumulated to a maximum of 2 days by certified personnel. Accumulated personal leave is paid to employees upon termination. Unused personal leave for noncertified personnel does not accumulate from year to year.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Cash and Investments and the Statement of Cash Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and the Statement of Cash Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash and Investments and the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

Transfer From	Transfer To	2005	2006
General Fund	Rainy Day Fund	\$ 50,000	\$ -
	Other governmental	50,000	40,000
Capital Projects	General Fund	41,909	83,400
	Rainy Day Fund	30,000	-
Debt Service Fund	Rainy Day Fund	70,000	30,000
Transportation Fund	Rainy Day Fund	50,000	170,000
Other governmental	Other governmental	41,796	61,038
Totals		<u>\$ 333,705</u>	<u>\$ 384,438</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits to Employees, Retirees, and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Self Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$25,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external inter-fund transactions.

Job Related Illnesses or Injuries to Employees

During 2005, the School Corporation joined with other governmental entities in the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illness or injuries to employees. The School Corporation pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Holding Corporation

The School Corporation has entered into a capital lease with the Barr-Reeve Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ending June 30, 2005 and 2006, totaled \$327,000 and \$335,500, respectively.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health, dental, and vision insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. Currently, two retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$71,973 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	<u>PERF</u>
Annual required contribution	\$ 25,986
Interest on net pension obligation	(1,276)
Adjustment to annual required contribution	<u>1,454</u>
Annual pension cost	26,164
Contributions made	<u>23,534</u>
Increase in net pension obligation	2,630
Net pension obligation, beginning of year	<u>(17,602)</u>
Net pension obligation, end of year	<u><u>\$ (14,972)</u></u>
Contribution rates:	
School Corporation	4.5%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 23,720	99%	\$ (13,429)
	06-30-04	21,504	119%	(17,602)
	06-30-05	26,164	109%	(14,972)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Costs

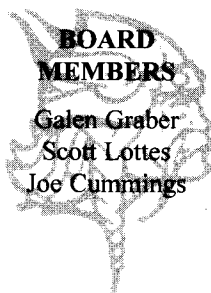
The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$79,796, \$68,934, and \$58,305, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

BARR-REEVE COMMUNITY SCHOOLS, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

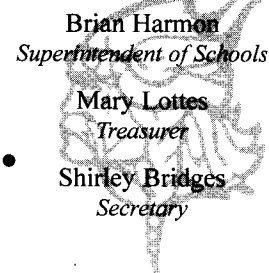
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 345,591	\$ 326,238	\$ 19,353	106%	\$ 464,862	4%
07-01-04	357,067	384,977	(27,910)	93%	471,120	(6%)
07-01-05	375,675	415,783	(40,108)	90%	449,251	(9%)



**BOARD
MEMBERS**

Galen Graber
Scott Lottes
Joe Cummings

BARR-REEVE COMMUNITY SCHOOLS, INC.



Brian Harmon

Superintendent of Schools

Mary Lottes

Treasurer

Shirley Bridges

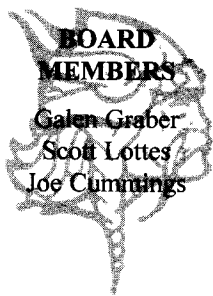
Secretary

**BARR-REEVE COMMUNITY SCHOOLS INC
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended June 30, 2006**

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 32,000
Buildings	9,819,258
Improvements other than buildings	633,740
Machinery and equipment	<u>975,983</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 11,460,981</u>



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Mary Lottes
Treasurer

Shirley Bridges
Secretary

**BARR-REEVE COMMUNITY SCHOOLS INC
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
For The Year Ended June 30, 2006**

<u>Description of Asset</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:		
Capital leases:		
School Building	\$ 2,100,000	\$ 125,000
Computer Equipment	25,990	\$ 25,990
Notes and loans payable	550,273	35,480
Bonds payable:		
General obligation bonds:		
Pension Bonds	2,360,000	55,000
Total governmental activities long-term debt	<u>\$ 5,036,263</u>	<u>\$ 241,470</u>

BARR-REEVE COMMUNITY SCHOOLS, INC.
AUDIT RESULT AND COMMENT

CAPITAL PROJECT FUND USES

Funds were disbursed from the Capital Project Fund for items such as monthly trash disposal, monthly pest control, and monthly uniform service.

Sources and uses of funds should be limited to those authorized by the enabling state, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

A similar comment appeared in the prior audit report.

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE BARR-REEVE COMMUNITY SCHOOLS, INC., DAVIESS COUNTY, INDIANA

Compliance

We have audited the compliance of the Barr-Reeve Community Schools, Inc. (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 25, 2007

BARR-REEVE COMMUNITY SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 4,344	\$ 5,791
National School Lunch Program	10.555		48,308	47,753
Total for cluster			52,652	53,544
Total for federal grantor agency			52,652	53,544
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
FY 03-04		04-1315	74,776	-
FY 04-05		05-1315	331,750	122,357
FY 05-06		06-1315	-	338,868
Total for program			406,526	461,225
Safe and Drug-Free Schools and Communities - State Grants	84.186			
FY 03-04		03-116	3,613	-
FY 04-05		04-048	5,797	3,895
FY 05-06		05-103	-	7,032
Total for program			9,410	10,927
State Grants for Innovative Programs	84.298			
FY 03-04		03-281	1,746	-
FY 04-05		04-267	2,145	809
FY 05-06		05-096	-	1,057
Total for program			3,891	1,866
Education Technology Grants	84.318			
FY 02-03			314	-
FY 03-04			8,472	-
FY 04-05			123,159	8,841
FY 04-05			-	2,667
FY 05			-	6,260
FY 05-06			-	70,094
Total for program			131,945	87,862
Rural Education	84.358B			
FY 03-04			13,249	7,914
FY 04-05			-	24,498
Total for program			13,249	32,412
Improving Teacher Quality State Grants				
FY 03-04	84.367	03-116	56,472	-
FY 04-05		04-163	57,155	28,692
FY 05-06		05-011	-	52,991
Total for program			113,627	81,683
Total for federal grantor agency			678,648	675,975
Total federal awards expended			\$ 731,300	\$ 729,519

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Barr-Reeve Community Schools, Inc. (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
School Breakfast Program	10.553	\$ 953	\$ 1,152
National School Lunch Program	10.555	8,439	8,515

BARR-REEVE COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
--	----

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

BARR-REEVE COMMUNITY SCHOOLS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

BARR-REEVE COMMUNITY SCHOOLS, INC.
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2007, with Brian Harmon, Superintendent of Schools; Mary Lottes, Treasurer; and Joe Cummings, President of the School Board.